BETTER TOGETHER

NHS
Royal Devon University Healthcare
NHS Foundation Trust

Finance Strategy

July 2023

2023/24 – 2027/28

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1 Foreword

The Trust has recently published the ‘Better Together’ Strategy which sets out our journey to enhance staff experience, to transform care across Northern and Eastern Devon, and to cement our position as a leading, digitally-enabled and clinically-led teaching Trust over the next five years. The means to achieving this ambition will be supported by a number of enabling strategies which bring together different strands of our roadmap into a deliverable and cohesive approach.

The finance strategy is an important document underpinning the delivery of our ambitions. There is no doubt that we are facing more challenge in the NHS than at any other time in its history but the passion and commitment of the NHS to survive has never been greater. The ask of our people to manage our resources effectively to ensure the best care can be provided to our populations means we need to have a clear strategy in place to achieve all we need to deliver. We need to ensure the finance strategy supports the best decision making for our patients recognising the finite resources we have, be that people or financial and to ensure we always place the patient at the heart of what we do.

As the NHS emerges from the pandemic the Trust is faced with a significant underlying financial deficit alongside a sizable waiting list position. Both the operational performance and the financial position need to be recovered together in a safe and sustainable way with an aligned trajectory so we can manage the resources we have to the best effect.

These challenges are not unique to Royal Devon and they are replicated across the Devon Integrated Care System (ICS) and the wider NHS. In order to recover, the Trust understands the need to work collaboratively with system partners to ensure the resources for the wider Devon population are put to the best use in order to maximise the health outcomes for our communities.

This strategy will set out how we will manage the financial recovery as a Trust over time aligned to the wider Devon ICS and how it underpins our other key enablers such as the clinical strategy, workforce strategy and digital strategy. We will recognise the constraints we are under due to the overall financial position of the NHS but look to focus on areas where we can improve our use of resources and productivity to make a safe and sustainable return to recurrent financial balance.

The road ahead will be challenging but the finance strategy will set out what conditions need to be true nationally, within the system and locally within our Trust to ensure we can deliver across all of the competing agendas we face. Overall the strategy will ensure that the decisions we make remain aligned to our Trust core values.

Angela Hibbard
Chief Finance Officer
June 2023

2 Introduction

There is no doubt that the NHS is facing one of the toughest times in a generation, emerging from a global pandemic and rising demographic demand. This is translating into significant waiting list pressures, poor urgent and emergency care performance and a sizable underlying financial deficit as described later in the document. Alongside this there is a tired and demotivated workforce, articulated in the workforce strategy, resulting in recruitment and retention challenges, estates issues due to underinvestment in infrastructure, and pressures across primary care and social care impacting on demand within the acute, community and mental health sectors.

These challenges are not unique to any one organisation and it is increasingly recognised that recovery will only be successful through a collaborative approach across a wider footprint. The creation of Integrated Care Systems (ICS) has provided the mechanism to bring partners together to set out a longer-term recovery plan beyond individual organisational boundaries. Membership from Integrated Care Boards as prime commissioners of services, acute, community and mental health providers and local authorities ensure that the system works collectively on the goal of recovery for the wider population with shared accountability and responsibility for success.

Devon as a whole system is uniquely placed as, at the time of writing, being placed in segment 4 of the regulator oversight framework (the worst performing) and therefore entered into the national recovery programme. This presents an opportunity for the system with the provision of resource from the intensive support team which should be embraced to support the level of change required to deliver the scale of improvement needed.

For the Royal Devon University Healthcare NHS Foundation Trust (Royal Devon) being a member of the Devon ICS brings benefits of a collaborative approach to the collective recovery and the opportunity of mutual support and learning across the system. However, it also brings challenges as we transition from old ways of working focusing on individual locality populations to the new ways of working focusing on the health needs of the wider population.

One of the ways to support this transition is to ensure the Devon wide plan is underpinned by enabling strategies at a local level which align to the ICS plan whilst still meeting the strategic objectives of the individual Trust. This finance strategy therefore aims to set out the underpinning financial framework to meet the needs of Royal Devon, aligning to the Clinical Strategy and other enabling strategies which meeting the financial and operational recovery expectations of the wider Devon ICS.

This strategy sets out:

The **key objectives** of the finance strategy

The **national and local context** driving the current financial position

The **opportunities for improvement**, underpinned by the Trust and Devon ICS SOF4 Improvement plan

The **Delivering Best Value programme** as the mechanising for delivering change

The alignment needed with **activity and workforce** to ensure a holistic and delivery strategy is in place.

Describe the **financial framework** that will create the right environment to support the Trust overarching strategy and key enabling strategies within the constrained resources that will be felt over the next 5-year period.

2 Key Strategic Objectives

This strategy aims to deliver on the following objectives

- Work with Devon ICS to deliver a system wide multi-year financial and operational recovery programme
- Invest in our workforce through driving recruitment, supporting an affordable long-term workforce strategy, investing in well-being and the long term needs of our Estate
- Set a sustainable and deliverable recovery trajectory that returns the Trust to o recurrent break-even, aligned to the recovery of the waiting list.
- Develop a financial framework to enable the delivery of the clinical and supporting strategies
- Investing in New Innovation and Technology, driving the benefits to demonstrate VFM and affordability to the longer term needs of our population

This will be achieved through focusing on the following strategic priorities

- **Long Term Financial Model (LTFM)**
  Finalise the LTFM for the Devon system to give clarity on savings requirements to achieve financial balance over 3-5 years

- **Workforce development**
  Aligning finance, activity and workforce strategic frameworks to ensure clear reconciliation of assumptions and trajectories supporting with a funding strategy that provides the financial support to recovery through ERF and growth – within an overarching affordability framework

- **Delivering Best Value**
  Develop a financial recovery plan over 3 years with a challenging but deliverable level of savings aligned to the productivity challenge to restore services and maximise the use of resources

- **Investment**
  Develop a multi-year funding approach to support the clinical and supporting developments utilising any opportunities from national programmes

- **Financial Support**
  Optimise the new financial ledger with greater reporting capabilities, supporting the finance team skills and enhancing finance training throughout the Trust

4 Local Context

The Devon ICS has agreed a Joint Forward Plan which has the dual objectives of delivering a sustainable system and getting the system in financial balance.

The headlines of the three-year financial plan are for the Devon system to achieve financial breakeven by 2025-26.

The starting place for this strategy is one where the Devon ICS ended the 2022/23 financial year with a deficit of £49m. Of this £17m was attributable to the Royal Devon. However, the ICS exit run rate was a deficit of £243m due to the non-delivery of savings programmes and reliance on non-recurrent benefits or sources of income to manage the position. The Royal Devon Share of the underlying position was £92m.

The plan for 2023/24 is a deficit no worse than 2022/23 outturn to be delivered as part of a 3-year return to financial balance. A slight improvement has been achieved at plan due to additional inflation support funding. The Royal Devon share of this plan is a deficit of £28m.

Key Financials	Devon ICS	Royal Devon Element
2022/23 outturn	£49m deficit	£17m deficit
2022/23 exit underlying position	£243m deficit	£92m deficit
2023/24 plan	£42m deficit	£28m deficit
2023/24 planed exit underlying position	TBC	TBC

In addition to recovering the underlying deficit the Devon ICS will also see a planned reduction in ICB allocation growth over the next 3 years as current levels of income post pandemic are higher than the national formula sets out for the population. This adjustment known as convergence will result in a worsening deficit position if costs are not contained or reduced in accordance with the reduction in pre-convergence growth.

For the system, the return to recurring financial balance over 3 – 5 years within a constrained growth environment represents a significant challenge alongside the operational recovery at a time where there is also uncertainty over the future financial regime with the ongoing treatment of the Elective Recovery Fund not known.

Whilst this results in a high level of uncertainty the Devon ICS is working through a long-term financial model with the 3 - 5 year recovery at system and Trust wide level for the health sector. This is underpinned by a number of key assumptions that will then be reflected in the Trust wide financial strategy to ensure continued alignment. This is described more in section 4.0.

Devon ICS drivers of the deficit

The ICS is working with external support as part of a recovery package and has undertaken a system wide drivers of the deficit exercise to create a uniform narrative on the Devon challenges. This report described the underlying deficit in the context of operational, strategic and structural drivers through comparing system performance against model hospital benchmarks to either median or upper quartile. The table below shows the opportunity breakdown of the £243m ICS exit run rate.

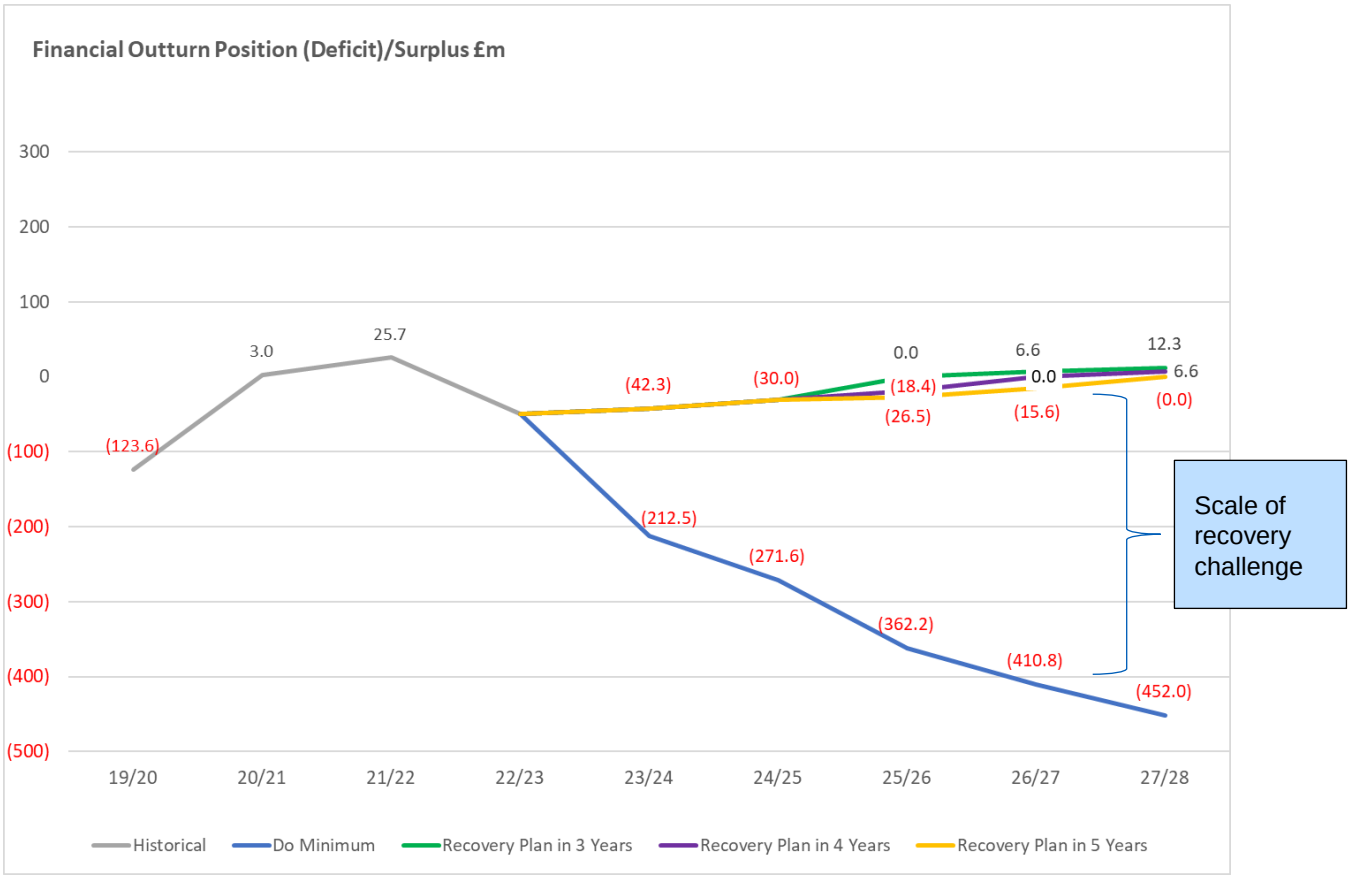
Title	Description	ICS Value	Detail
Operational	Those drivers wholly within the Trust control to deliver a cashable or productivity improvement	£95.7m	Activity – productivity measures compared to model hospital peers, elective & non-elective length of stay, outpatient utilisation, theatre utilisation, bed usage, out of area placement, day care rates Workforce – non-clinical workforce growth, High cost agency usage Corporate services benchmarking High cost drug usage Estates – hard and soft FM, inefficient space utilisation
Strategic Drivers	Those drivers partially outside the Trusts control but over which the Trust can exert some influence	£62.6m	Bed management, primary acre variation, high cost substantive staffing, high vacancy rates and cost agency, CNST premiums
Structural Drivers	Those drivers wholly outside the Trusts control	£22.2m	Estates costs
Other	Remaining underlying deficit not analysable within the above categories	£62.4m	Balance after benchmark analysis
Total		£242.9m	

5 Devon ICS Financial Recovery Trajectory

Devon's 2023/24 financial and operational plan is the starting point of a longer-term trajectory of recovery which will require a focused and challenging change programme to ensure we use the Devon resources to the upmost effectiveness.

The drivers of deficit benchmarking identifies a number of areas of duplication across the system, particularly in corporate services and clinical support services, which could be delivered under a different Devon wide model. Doing things once and doing things well needs to be the mantra for any support services as well as understanding the right clinical pathways to support access and local provision within the scarce resources we are managing – both workforce and financial.

The benchmarking therefore confirms there is opportunity to turn around the financial fortunes of the system and therefore the provider sector within it. The case for change is compelling across the health sector, with a do minimum scenario of delivering only 1.1% tariff efficiency across the system resulting in a deficit increased to £452m by 2027/28 (based on version 2.4 of the model). The scale of challenge to mitigate this decline and recover the underlying position is obvious.



The system ambition is to recover over 3 years and is supported by national regulators of NHS England. This generates a significant and challenging trajectory of recovery and given the national policy on convergence, inflationary cost pressure, service growth needs to meet demand and other in year issues this generates a significant trajectory of savings year on year.

The following table sets out the scale of the savings required across the system. It is a demanding programme to deliver and will rely on a significant level of collaboration which all health partners across the local NHS are committed to.

			23/24	24/25	25/26	26/27	27/28
			FY23/24	FY24/25	FY25/26	FY26/27	FY27/28
			Total System	Total System	Total System	Total System	Total System
"Do Minimum" CIPs	1.1% Efficiency	Recurrent	32.7	33.9	35.2	36.3	37.4
		Non-recurrent	8.8	8.5	8.8	9.1	9.4
		Total	41.5	42.4	44.0	45.4	46.8
	Productivity CIP	Recurrent	0.0	14.3	14.8	15.7	16.8
		Non-recurrent	0.0	0.0	0.0	0.0	0.0
		Total	0.0	14.3	14.8	15.7	16.8
	"DO MINIMUM" TOTAL		41.5	56.8	58.8	61.1	63.5
"Recovery" CIPs	Operational Stretch CIP	Recurrent	71.4	18.8	44.9	28.5	21.2
		Non-recurrent	38.2	4.7	11.2	7.1	5.3
		Total	109.6	23.5	56.1	35.7	26.5
	Strategic Initiatives	Recurrent	54.5	22.4	45.9	28.5	21.2
		Non-recurrent	6.0	4.7	11.2	7.1	5.3
		Total	60.6	27.1	57.1	35.7	26.5
	OPERATIONAL STRETCH + STRATEGIC TOTAL		170.2	50.6	113.2	71.4	53.0
	Grand Total	Recurrent	158.6	89.5	140.7	109.1	96.6
		Non-recurrent	53.1	17.9	31.2	23.3	19.9
		Total	211.7	107.4	172.0	132.5	116.5

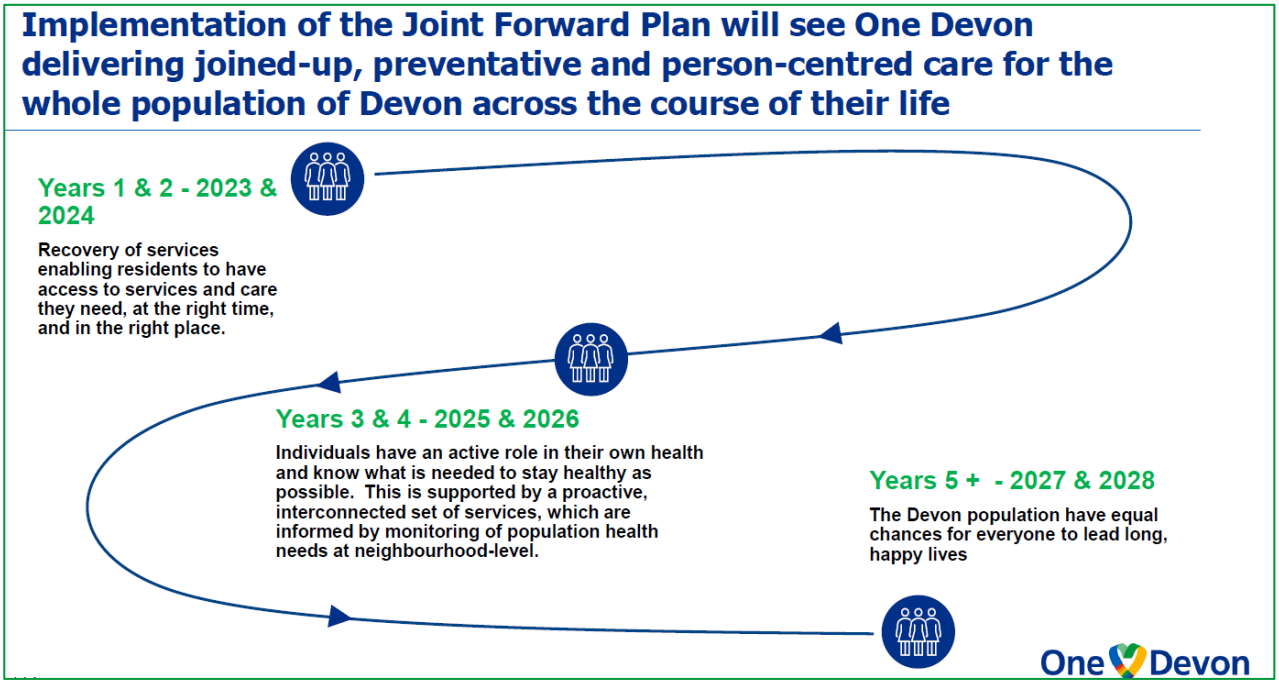
In addition to this the full year effect of savings from year one of the programme equate to £97m rolled into the 2024/25 opening position.

To support delivery of the return to system financial balance, the ICS has developed a set of planning principles:

- Seek solutions that work for the system.
- No organisation will knowingly create an adverse impact on another or the system.
- Standardise practice and services where it makes sense to do so.
- Focus on cost reduction, cost containment, and productivity improvements.
- Recognise that participation will be required at system, locality, neighbourhood, and organisational level on the priority areas.
- Ensure equitable distribution of funding and outcomes by locality.
- Not make new investments that lead to a deterioration in the underlying position.
- Consider financial decisions alongside quality, safety, and any impact on patient experience.
- Share risks and benefits across the system and ensure that they are fully understood by all parties.
- Seek to exit SOF4 at the earliest possible opportunity.

Linking the ICS financial strategy to the RDUH financial strategy

The challenge for the Devon ICS Finance strategy is to set out a system model for 3-year financial recovery, utilising the opportunities identified in the drivers of deficit work whilst setting a financial framework that aligns to the long-term plan and needs for service development within the clinical strategy to ensure the population health needs can be met. The Devon joint forward plan articulates this through focusing years 1 and 2 of the vision on recovery, then transitioning more into the prevention agenda.



A critical success factor within all ICS partner's financial strategies is the ambition to get each individual organisation to recurrent breakeven as well as the system overall.

This will require smoothing of resource between organisations particularly the ICB and providers to ensure the provider sector does not remain in overall deficit whilst the ICB achieves a surplus. This will be achieved through adjusting oncome contract levels to meet the demands on services. The Devon LTFM becomes the overarching strategic financial framework that sets the financial parameters for each organisation within the Devon financial context, applying a common set of financial assumptions and financial flows.

The Trust financial strategy then needs to flow from this overarching system model and recognising the Trust share of financial recovery.

North Devon Subsidy

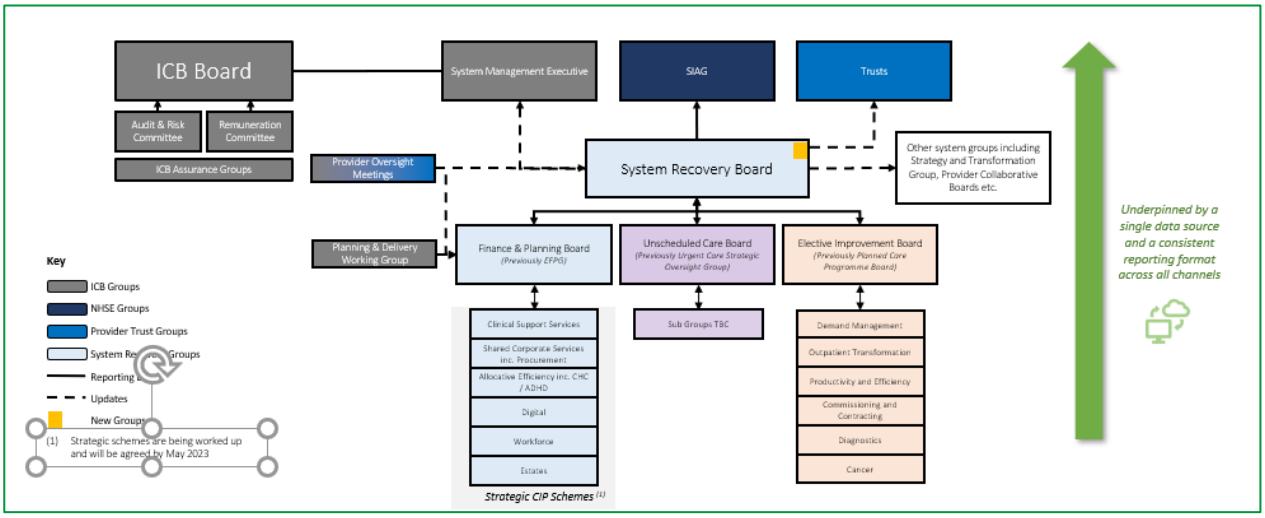
As part of the contract for services within Northern Devon a subsidy is built into the baseline contract with the ICB to reflect the premium required for remote services. This is due to the dis-economy of the size of the services which attract less income under a variable PBR costed tariff but have a high cost based to ensure 24-hour access required such as Accident and Emergency, Maternity and other critical emergency services. The subsidy was valued in 2019/20 at £10.3m and has continued to roll over in the contract as a condition of the merger of the two preceding and with support of the predecessor commissioning organisation.

This value was verified independently by Grant Thornton in their cost of care report finalised in August 2021.

The remote subsidy received by the ICB is less than the value of the subsidy awarded in the contract as the national formula only takes account of a subsection of services. The Trust will continue to engage with national pieces of work on rural and coastal Trusts to influence a change in the remoteness calculation. Any change in value received will bring a benefit to the ICS as the value is embedded in the Trust contract. However, any adjustment will also need to take account of the changing cost base to deliver remote services.

System Governance

The governance linking the provider and system delivery is set out below. Oversight is provided through the system recovery board which is a multi-discipline multi partner board overseeing both elective, UEC and financial recovery. Alignment of strategies to the overall system objective is therefore crucial to ensure continued ICS alignment and collaboration.



To support the alignment to system recovery, Royal Devon has developed an improvement programme to support delivery against the regulators oversight framework criteria. This incorporates the savings programme, elective recovery and urgent UEC recovery into one overarching plan for delivery and monitoring.

With the Devon context described and the objective understood, the next sections of this RDUH financial strategy set out how we will support the 3-year recovery.

6 Aligning the Finance Strategy with the Trust Strategy

The Trust context is equally as important as the system overlay as although the financial framework is aligned to the ICS recovery trajectory, Trust strategy sets out the vision for our services.

The Royal Devon 'Better Together' strategy has four strategic objectives, one of which is "recovering for the future" and aligns to the ICS Devon's Joint Forward Plan and Integrated Care Strategy in committing to the following outcomes:

- To be an integrated organisation that has recovered elective backlogs and used the opportunity to drive change
- To make a significant improvement in the financial deficit
- To have enhanced patient flow and played a key role in making Devon's wider health and care services resilient
- To enhance our facilities to improve patient care
- To have supported community development with our partners • To build on the innovative approaches developed through the pandemic and apply them to improve services

Understanding where we are and where we want to get to then enables the Trust to set out how we will achieve our ambition and the financial conditions that need to support that journey, within the framework and principles set out by the system.

Where are we now 2023/24

Trust Context	Finance Context
• Newly Merged Trust from 1st April 2022 • Recovering from Covid-19 pandemic • EPIC implemented across all Royal Devon sites • Common set of values and strategic objectives • Recruitment challenges across all our sites but particular pockets of high vacancy in key geographical areas or professions • A tired and frustrated workforce • Significant waiting lists and some of the highest volumes of long waits in the country although momentum on elective recovery • Continued political focus on NHS and changing operating model with introduction of ICBs and ICS • Structural Health inequalities across Devon • Continued pressure in social care impacting on acute bed occupancy • High demand and equity in the urgent care pathways	• Delivered deficit of £16.7m in 2022/23 in line with financial plan and additional deficit support income received. • Significant exit underlying deficit due to continued reliance on non-recurrent benefits and shortfalls on Cost Improvement Plan (CIP) delivery year on year • Plan for 2023/24 of £28m deficit with trajectory for improvement across multiple years as per year 1 of ICS LTFM • Significant in year savings programme of £45m internal savings and £16m of system savings in year 1. • Devon ICS above national funding formula so on a pace of change to reduce relative income over time • National expectation remains at breakeven • Block contracts continuing around UEC with additional national monies bit for • Elective recovery fund continuing for 2023/24 with opportunity to earn additional funding through achievement of greater levels of activity above 103% of 2019/20 baseline

Where do we want to be

Trust Context	Finance Context
• Collaborate and Partnerships - working in partnership to improve the health of our communities, play a key role in prevention and tackling health inequalities in Devon • A great place to work - Creating the culture and environment to retain, develop, support and attract people to work as part of a team to deliver patient-centred care. • Recovering for the future - We will be an integrated organisation that will deliver an equitable recovery and use the opportunity to drive change • Excellence and innovation in patient care - We will embrace new technologies, research and innovation and ways of working to deliver the best possible care and to enable people to stay well.	• Working with the Devon ICS to deliver an ICS wide multi-year financial recovery programme aligned to the key priorities within the National planning framework and Long-Term Plan (LTP) • Invest in our workforce through driving recruitment, setting out an affordable long-term workforce strategy, investing in wellbeing and the long term needs of our estate. This is identified in the financial framework – growth • Set out a sustainable and deliverable recovery trajectory that returns the Trust to recurrent breakeven, aligned to the recovery of our waiting list. The ICS LTFM demonstrates this over 3-years and the financial framework supports the investment needed in recovery. • Investing in new innovation and technology, driving the benefits to demonstrating value for money and affordability to the longer term needs of our population

How will we get there

Trust Context	Finance Context
• Through developing effective partnerships, increased patient participation and stronger use of data and research • Develop a just culture though imbedding our core values and championing learning and inclusion • Restore services to pre-pandemic levels, reduce delays in the flow of patients and reduce our backlogs • Empowering patients to have greater control of their care, encouraging innovation and supporting the digital agenda • Through setting the principles within the clinical strategy to provide care for our patients	• Developing a financial recovery plan over 3-years with a challenging but deliverable level of savings aligned to the productivity challenge to restore services to the best in class. • Aligning the finance, activity and workforce strategic frameworks to ensure clear reconciliation of assumptions and trajectories supporting with a funding strategy that provides the financial support to recovery through ERF and growth – within an overarching affordability framework • Develop a funding strategy to support the clinical and digital strategies utilising any opportunities arising from national programmes • Develop robust framework for benefits realisation to ensure innovations deliver expected outcomes and recycle savings back into patient care. • Implementing a new financial ledger with greater reporting capabilities • Supporting the finance team skills development and succession planning and enhancing finance training throughout the trust

7 Royal Devon Financial Recovery Approach

As described above, the Financial Strategy for Royal Devon aligns with the overall Devon ICS approach to ensure there is both a consistent financial trajectory to which we are working as well as ensuring we have a strategy for responding to the health needs of our local population.

The Royal Devon share of the ICS financial model becomes the long-term financial framework for the Trust. The Devon ICS principles will be adhered to along with a set of local principles to ensure we can deliver against out recovering for the future strategic objective. These principles are described below:

- **Maximise productivity.** Priority will be given to maximise productivity as a means to delivering improvement. As a minimum all services must return to 2019/20 (pre covid) baseline levels of activity, then reaching the national target of 103% of 2019/20 activity. There is an ambition to surpass this where benchmarking opportunities evidence more scope for improvement to contribute to waiting list clearance
- **Maximise capacity.** All efforts will be made to maximise additional capacity through external funding to support the elective recovery position to both Royal Devon and the wider Devon ICS. Where supported by the financial framework, substantive capacity solutions will be sought where need is evidenced.
- **Aligned to demand and capacity.** Long term plans must align to overall demand and capacity, recognising that additional capacity will need to be exited and capacity right sized once backlog waiting lists have cleared and demand reduced to core levels.
- **Cost efficiency.** Value for money and cost efficiency will be a key focus to reduce the cost of service provision, removing reliance on high cost care within an affordability framework.
- **Innovation.** The Trust will continue to promote innovation and embrace new technologies to support sustainability of health care provision both from a work force, finance and environmental perspective.
- **Strategically aligned investment.** New investment will be targeted to deliver the Trust strategy, ensuring a number of key criteria are met.
- **Maintaining Safety.** Alignment must be maintained across the safety, activity, workforce and finance agendas.
- **Effective governance.** Recovery will be overseen through the RDUH Improvement plan which aligns to the SOF4 exit criteria.
- **Maximise non-recurrent opportunity.** Non-recurrent opportunities will continue to be sought each year as part of delivering an in-year position but reliance on non-recurrent solutions will be reduced over time.

7.1 Investment Approach

Appreciating the financial constraints of the NHS, new investment will be limited. Therefore, we will ensure that any incoming investment is carefully considered and targeted towards the delivery of the strategic objectives and enabling system financial recovery.

We would work closely with the Devon ICS to ensure that investment decisions are aligned to the local needs as demonstrated in our clinical and other enabling strategies. We will also seek to maximise investment opportunities through developing the business case requirements aligned to our clinical priorities to allow opportunities to be taken against future national programme funding.

The financial framework will set out a provision for growth investment within an affordability framework – linked to the ICS 3-year recovery trajectory. This will enable a longer-term view of investment to be taken to move away from the annual cycle of planning as a result of the changing finance regime. There are three main elements of investment: Capital, Revenue and Elective Recovery Fund (ERF).

The following sets out the specific criteria for prioritising investment need as set out in the business case approval process.

The investment is critical to resolve a patient safety/quality issue, as demonstrated through a quality impact assessment (and confirmed by CMO and CNO)
The proposed investment aligns to the Trust Strategy and enabling strategies (Clinical, Digital, Workforce and Estates in particular)
The investment increases capacity in line with the demand and capacity modelling to support the elective recovery programme
The investment supports improved patient flow and the urgent care pathway
Does the revenue model demonstrate a financial contribution to financial recovery under a PBR basis?
Is there a funding source identified for the investment or a likely funding route following a national process?
If no external funding available, is the investment affordable within the 5-year financial framework of the Trust and the ICS?
Is the investment underpinned by a deliverable workforce model?
Does the investment represent value for money?

Where investment is for capital both the capital and revenue affordability will be assessed through these criteria. In addition to these overarching criteria the following applies.

Further guidance on the methodology for return on investment and detailed investment appraisal can be found in the Trust's business case process.

7.1.1 Revenue

Although individual cases may be affordable from a PBR assessment, the current contractual arrangements may not support a full PBR payment system. Therefore, affordability will need to be considered in the context of the commissioner contractual arrangements.

Each year's revenue affordability will be assessed as part of operational planning setting which will consider cost pressures and undelivered plans emerging from previous years. There will also be changes in national guidance which will need to be considered. Therefore, flexibility will be required in the financial framework to adapt to those changes and ensure focus remains on overall recovery.

7.1.2 Elective recovery fund

Future arrangements on the ERF are not yet known and for the purpose of the financial framework it is assumed in line with the 2023/24 planned position. An assessment has been undertaken which demonstrates levels of commitment against ERF and the substantive capacity needs to support waiting list recovery. An overall approach has been set out which assumes an additional level of spend above the current LTFM but this demonstrates an additional level of ERF under current income arrangements This will be supported by a Devon ICS level ERF model which demonstrates the level of elective recovery activity applicable to attract ERF income, alignment to demand and capacity planning and alignment to each Trusts underpinning assumptions on capacity and workforce. This is highlighted in section 8.1.1.

7.1.3 Capital Investment

Capital investment continues to be managed under an ICS Capital Limit which is generated through

- Internally generated depreciation
- National adjustment for backlog maintenance pressures
- Other national allocations at ICS level
- On balance sheet lease obligations

Allocation across the ICS is determined through a system methodology mirroring the national CDEL formula. This level of capital manages the business as usual capital requirements for replacement and maintenance and covers the follow areas:

- Equipment replacement
- Estates backlog maintenance
- Digital replacement

Foundation Trust capital freedoms no longer exist under this regime and therefore assess to strategic capital is limited. Strategic capital requirements must therefore link to the clinical, digital and estates strategy and be subject to a capital bidding process for additional nationally funded public dividend capital (PDC). Any such bids must also align to the overall ICS strategic capital programme.

As part of the Trust's strategic estates plans work needs to be undertaken to develop business cases in readiness for any additional national capital that may be released to ensure readiness to respond to the opportunities.

Often opportunities are presented with short response times and having a number of 'ready to go' approved cases will improve the Trust's chance of successful bidding for funding. This may require upfront investment in planning fees to ensure estates infrastructure cases are robust.

7.1.4 National Hospital Programme

Royal Devon's northern services are also in the National Hospital Programme. This brings the opportunity of strategic capital investment for the Northern estate that will enable transformation of the acute site and allow significant backlog maintenance issues to be addressed.

Known locally as the Our Future Hospital programme, a number of criteria are set as part of the OFH programme established to manage this work and ensure alignment to the Trust strategy and therefore have similar inherent investment criteria.

The timeframe for national investment is outside the period of this strategy with expectation of works starting on the main build post 2030. However, there is an expectation of upfront enabling works funding and the Trust will continue to pursue any opportunities to bring the main development forward. In the meantime, the strategic estates plan will need to ensure the continued upkeep of the northern services estate to ensure the infrastructure can service the growing health demands forecast over the next 5 years.

Eastern services were not included as part of the NHP and therefore has more of a significant challenge in terms of strategic capital investment. However, other neighbouring hospitals were included and should any significant reconfigurations be approved under the system transformation consideration will need to be given to reallocating funding to support the required infrastructure.

7.2 Application of revenue growth income

To support the investment criteria above and longer-term planning, the financial framework has assessed how annual revenue growth will be notionally allocated across domains. This ensures that consideration is being given across all areas to aid the prioritisation process:

Domain	Target growth allocation	Comment
Elective Care	To be funded through ERF	Current modelling assumes ICB ERF allocation is now recurrent and opportunity to earn above this through national funds continues
Safety	15%	Recognition that safety issues will be addressed as a priority if they meet the QIA threshold
Drugs and devices	20%	Area of annual growth that needs to be recognised in planning
UEC pathway including community services	15%	Additional national funding may be available through programmes but local provision needed to continue to develop UEC pathways
Community	15%	Investment in prevention and support in the community to avoid acute admission
Non-Clinical areas	10%	Minimal area of growth expected to align to system recovery
Workforce redesign	10%	Some annual pump priming needed to support trainees and new workforce models
Productivity	15%	Contribution to recovery through delivery of cost avoidance

The percentages have been set based on the financial modelling as set out in section 8.1.2 to ensure an appropriate spread of funding to the key areas of need identified. There will need to be flexibility as part of the annual operational planning process as key areas of priority emerge but setting a general level of year on year expectation will along longer-term multi-year decisions to be taken on service development. No specific allocation has been made for the revenue impact of digital investment as this would be expected to be funded from the pathway allocations above depending on the area of investment or from within the non-clinical provision.

Capital Charges

Any capital charges as a result of capital investment will need to be funded from the growth allocations above. Where this is significant due to a major infrastructure investment this will need to be set out in the development business case with confirmation on how the scale of capital charges will be funded. For any nationally funded capital schemes (such as ERF capital schemes or the National hospital programme) there may be an opportunity for short term capital charges cover on a non-recurrent basis.

7.3 Improvement Plan

The Royal Devon improvement plan sets out the recovery programme for the 2023/24 financial year which will then continue into future years as we set to deliver against the ambition of the ICS 3-year recovery trajectory.

The improvement plan is delivered under the umbrella of the Trust's Delivering Best Value Programme and brings together the operational recovery and financial recovery under a single governance and delivery framework. The programme is aligned to the domains of the SOF4 exit criteria to link to the reporting requirements of the regular oversight to NHS England and the ICB.

The elective recovery and Urgent and Emergency Care elements of the programme are described in the clinical strategy. The following describes the delivering best value financial approach. The SOF4 criteria are shown in appendix 1.

7.3.1 Delivering Best Value – savings plan

Delivering Best Value is a programme of work across the trust to maximise the use of our scarce and valuable resources to the best effect for our patients. The concept allows the Trust to focus on areas of opportunity to drive through improvement in our clinical and corporate services leading to greater efficiency and improved outcomes.

Through focusing on opportunities to improve pathways, reduce unwarranted variation, reduce duplication and waste we will be able to improve our performance and treat more patients with the level of care we wish to provide.

As a consequence, we will be able to make the most effective use of our resources during very challenging times, make the Trust a better place to work and improve our financial sustainability.

Areas of opportunity for change will be aligned to the clinical strategy and informed from a series of benchmarking and other information sources, the use of which is developing as we mature as a single entity. Such examples include:

- Getting it Right First Time (GIRFT)
- Model hospital & model system
- Dr Foster
- Right care
- Demand and referral patterns
- HES performance data
- Finance information & workforce information/PLICS/SLR/ESR

Over time we will also deliver against the Trust's data strategy which will enhance our business intelligence capabilities and capacity and develop into data sciences and date engineering which will unlock population health management using our powerful EPR as we optimise its capability.

Through this benchmarking we will develop a multi-year financial improvement plan, based on a number of core themes already embedded in the 2023/24 operating plan.

DBV Theme	Description
Productivity	Return to pre-covid levels of productivity as a minimum plus aim to reach upper quartile benchmark performance over time to maximise clinical care for our patients, reducing unwarranted clinical variation through utilising the GIRFT principles supported by patient level costing and service level reporting tools
Integration	Deliver on the benefits of bringing two separate Trusts together to strengthen corporate and clinical resilience across all of our sites, reduce duplication and delivery on economies of scale
Workforce	Improve recruitment and retention to reduce reliance on temporary workforce to reduce the overall pay bill, reduce sickness and cost of turnover and ensure robust processes are in place to support managers
Epic optimisation	Deliver against the core benefits of the EPIC investment to ensure value for money of the investment is delivered as well as enhancing the benefits through further optimisation to utilise the system to the maximum of its capability
Medicines Optimisation	Ensuing appropriate prescribing for patients in our care, maximising the use of generic products where right to do so, manging high cost drugs spend as appropriate and reducing wastage
Procurement	Ensuring the most effective procurement of good sand services, reducing unwarranted clinical variation in clinical and non-clinical supplies
Transformation	Investing in time to make change through innovation and quality improvement including connecting from ward to board to engage staff through the bright ideas campaign.
Good housekeeping	Promoting the effective use of financial management through sound financial management and control (see section 7.4)

7.3.2 System Transformation

It is clear that the scale of change needed across Royal Devon and the wider ICS will not be deliverable through internal savings programmes alone. In order to tackle not only the financial challenge but the workforce shortages alongside rising demand a programme of system transformation across multiple years will be needed. The programme has been initiated in 2023/24 and is embedded in the operating plan but will need to continue at scale across following years. This programme will look for opportunities that will be delivered above and beyond internal savings by identifying workstreams focused on working differently across Devon, doing things once to reduce duplication and increase workforce resilience and maximise economies of scale through operating across a larger footprint. In some circumstances these workstreams will extend further across the whole peninsular to include Cornwall ICS.

Areas of opportunity are described below and each NHS partner in the ICS has an indicative share within the long-term recovery plan.

System stretch	Description
Peninsula Acute sustainability Programme (PASP)	Reviewing areas of vulnerable services across Devon and Cornwall, reviewing the configuration of services to ensure resilient and safe services can be delivered – consolidating where necessary to achieve this, new models of care and reduction in unwarranted variation across Trusts.
Corporate Shared Services	Centralised corporate functions to reduce transactional costs and reduce duplication. Scope includes People Services, Procurement, Legal, Finance and Communications.
Workforce	To add to internal savings targets through delivering consistency of process, enhancements and digital HR, systemwide programme of job planning and leave management.
Clinical Shared Services	Centralisation of clinical support with hub and spoke models to reduce duplication, build resilience and manage increasing demand including management of high cost drugs growth.
Allocative Efficiency	Ensure efficient and effective use of ICB commissioned budgets across placements and other areas of commissioning spend.
Digital	A comprehensive digital asset optimisation assessment that will inform the future state of technology and digital within the ICS. Identify areas where more value can be drawn out of current investments and any infrastructure, capacity, and capability gaps that need to be addressed. The review will cover mobile/voice, Electronic Patient Records (EPR), Information Management and Technology (IM&T), data centres, and virtual wards as well as exploring a shared digital offer.
Procurement	To maximum commercial leverage in driving VFM and improving clinical outcomes. To lay the foundation for organisational redesign ensuring maximum efficiency of the procurement and commercial function, and enhancing the attraction, development and retention of our staff.
Estates	Optimising estate usage to enhance operational efficiency, reduce costs, and improve patient care environments for Estate & Facility Management (EFM) services across seven key sub-schemes.

7.3.3 Cost of change

The scale of change across the internal DBV programme and system transformation is significant (see 8.1.3) and therefore there may be significant costs associated with change to reconfigure services to a more affordable or cost-effective model. The cost of change will need to be identified and is not factored into this strategy as the impact cannot be quantified at this time. There may be two elements of cost that may be incurred:

1. Capital spend to support estates reconfiguration as part of new models of care – this would need to be supported form strategic capital outside of the Trust's internal CDEL (see section 7.1.3 and 7.1.4
2. Revenue costs due to reconfiguration of services – this may involve a transfer of staff and therefore a transfer of resources within the system on a net neutral basis or potential redundancy costs where efforts to redeploy staff affected by major change programmes have been exhausted. These latter costs are not factored into the financial framework and would need to be managed non-recurrently as part of the overall Devon accepted in year plan position, negotiated with NHS England.

7.4 Financial Control Environment

The financial control environment sets the financial tone of the organisation to ensure that finance remains an equal part of the agenda alongside safety, performance and workforce to keep the balance across all areas of accountability. The financial environment ensures that accountability and responsibility for delivering the financial ask is owned throughout the Trust. This is created through the financial policies that are set, clear standing financial instructions, sound governance and a level of assurance through the grip and control that can be evidenced around decision making. However, culturally it is more than this and the following are equally as important:

1. Communication of the financial message through regular finance briefings
2. Consistent message on the finance agenda across trust leadership
3. Empowerment of services to own and deliver against the budgets set
4. Engagement with finance managers to support and enable services
5. High quality financial reporting to ensuring credibility and understanding of the financial position
6. Support for teams when things don't go to plan and collective ownership to mitigate impact

The delegated responsibility for delivery sits within clinical and corporate divisions and engagement is undertaken as part of the annual operating planning process to agree financial and operational plans and targets to be delivered in year. These plans will be within the financial framework set out int his strategy, recognising pre-commitments from prior year take the first call on funding assumptions to support multi year decision making. Governance of the plan will be through the Operational board and trust delivery group to ensure engagement and ownership of the final plan approved by the Trust Board. The budgetary responsibilities and activity plans will be set out to the Divisional Triumvirates at the start of the year as well as corporate divisions to allow these responsibilities to be formally signed off. This will include the required level of 'Delivering Best Value' savings and productivity improvements.

8 Royal Devon Financial Framework

The approach described above is the means to delivering the financial framework that flows from the Devon ICS LTFM. The approach will be contained within the affordability framework recognising the constrained and recovery environment but will set indicative targets for financial recovery and indicative affordability to allow longer term planning. Consideration is given to the treatment of elective recovery funding in 2023/24 and the long-term commitments that have already been made to secure the capacity needed to support this key priority.

The framework will change due to changes in national planning guidance, financial regimes and any additional funding which may be available in year or on a recurrent basis due to additional governmental commitments. However, by setting a longer-term horizon, decision making can be supported based on a financial trajectory which allows for more certainty to be given.

As the long-term recovery starts to deliver, the Trust, along with the wider system, will move to a more sustainable financial position and this will free up future resources to enable further investment to be targeted at future need.

8.1 Financial framework for RDUH

Income and Expenditure position £m	FY23/24	FY24/25	FY25/26	FY26/27	FY27/28
Income	985	999	1,002	1,017	1,035
Pay	-632	-633	-631	-640	-651
Non-Pay	-368	-355	-352	-354	-357
Net Finance Costs	-14	-14	-14	-14	-14
Financial Plan surplus/(deficit)	**-28**	**-2**	**5**	**9**	**14**
Less Non Recurrent Activity	-75	-69	-60	-59	-59
FYE - CIP	33	0	0	0	0
Underlying financial performance surplus/(deficit)	**-71**	**-71**	**-56**	**-50**	**-45**
Of which is NR income - ERF/CDC	50	51	51	52	53
Underlying position adjusted for income	**-21**	**-20**	**-4**	**3**	**8**

The Royal Devon share of the ICS recovery trajectory shows a return to surplus by the 2025/26 financial year. Adjusting for non-recurrent items shows that the trust remains with an underlying deficit throughout the planning period. However, the majority of this relates to ERF and community Diagnostic centre (CDC) funding which although treated as non-recurrent is received each year. The non-recurrent nature is because it is not yet known how this will be built into a future funding regime but given the on-going recovery agenda it will need to continue to flow to providers to support activity delivery. Therefore, adjusting for this income demonstrates that the Trust would return to a recurrent financial balance by 2026/27 under this framework.

Within this position the following assumptions are made:

8.1.1 Elective Recovery Fund

The model accounts for the level of ERF income and cost approved as part of the 2023/24 operational plan and assumes this rolling over each year of the 5-year model, adjusted for inflation. The Trust is pursuing an option to stretch this further to accelerate further operational recovery through treating all ERF schemes as recurrent. This would have a higher full year effect cost into future years but is offset in part by additional income as this would take performance above the 108% of 2019/20 baseline assumed in the 2023/24 plan. There is a shortfall against cost in 2024/25 reducing over time. This shortfall would be the first call on additional recurrent growth funding.

Elective Recovery Fund	FY23/24		FY24/25		FY25/26		FY26/27		FY27/28	
£m	R	NR	R	NR	R	NR	R	NR	R	NR
Core Income		27.8		37.2		37.8		38.5		39.2
Additional ERF Income		8.7								
Expenditure per LTFM (adj for inflation in line with core income)	-36.5		-37.2		-37.8		-38.5		-39.2	
Trust Stretch ERF Spend			-10.2		-12.0		-12.0		-12.0	
Trust Stretch ERF Income				8.6		11.8		11.8	.	11.8
Sub total	-36.5	36.5	-47.4	45.8	-49.8	49.6	-50.5	50.3	-51.2	51.0
Balance (to be funded through growth)	**-0.0**		**-1.6**		**-0.2**		**-0.2**		**-0.2**	
Cumulative top up required from growth	-0.0		-1.6		1.4		-0.0		0.0	

This approach would align to the ambition to accelerate operational recovery supported by NHS England and would align to the Trust Strategic objective of recovering for the future. The ambition will need to be underpinned by a Devon ICS elective recovery model demonstrating the demand and capacity alignment which underpins the additional income required across the whole system to deliver the level of capacity required to meet continued demand and clear backlog of elective waits.

The model needs to identify sufficient demand in steady state to support the levels of substantive capacity or set out plans to rightr size once backlog clearance is achieved. Given the scale of the waiting lists it is assumed this will be outside the timeframe of this model but will be evidenced by the on-going modelling.

8.1.2 Cost Growth

Cost growth assumptions (excluding inflation funding) are based on ICS wide agreed assumptions and are assumed to be deployed in the indicative table below for planning purposes. These are based on the assumptions set out in section 7.2. However, there will need to be flexibility in year once other sources of funding are understood or there is a clinical area of significant priority that needs to be addressed. The 2023/24 operating plan restricted growth available for deployment. Through having a more structured view of the recovery needed over a more realistic investment plan can be established. This will be predicated on delivering the level of recurrent savings required year on year.

Growth	FY23/24	FY24/25	FY25/26	FY26/27	FY27/28	Total over 5 years
Total cost growth	19	19.7	20.0	20.0	20.2	**98.9**
Productivity/ Cost containment in line with income (CIP)	-15	-5.5	-5.6	-5.5	-5.6	**-37.1**
Available growth to deploy	**4.0**	**14.2**	**14.5**	**14.5**	**14.6**	**61.8**
Application of cost growth						
Balance on ERF funding	0.0	1.6	-1.4	0.0	0.0	**0.2**
Safey Issues	4.0	1.9	2.4	2.2	2.2	**12.6**
Drugs and Devices	0.0	3.0	3.8	3.5	3.5	**13.8**
UEC pathway	0.0	3.0	3.8	3.5	3.5	**13.8**
Non clincial areas	0.0	1.3	1.6	1.5	1.5	**5.8**
Workforce redesign	0.0	1.5	1.9	1.7	1.7	**6.9**
Further productivity DBV (CIP)	0.0	1.9	2.4	2.2	2.2	**8.6**
Total Deployed Growth	**4.0**	**14.2**	**14.5**	**14.5**	**14.6**	**61.8**

This approach will give a framework by which longer term, multi-year decision making can be made to support service development alongside the clinical and other enabling strategies.

8.1.3 Savings Plan

To meet the recovery trajectory the model assumes a year on year element of savings including full year effect of 2023/24 to be delivered as set out below:

Savings Target	R/NR	FY23/24	FY24/25	FY25/26	FY26/27	FY27/28	Total 5 years
Total Savings Target	R	53.4	25.6	41.0	32.0	28.3	180.3
	NR	6.9	5.2	9.0	6.7	5.7	33.4
Total Savings Required	**Total**	60.3	30.8	50.0	38.7	34.0	213.7
Application of savings Target							
Productivity/ Cost containment in line with income	R	15.0	5.5	5.6	5.5	5.6	37.1
Internal Savings - Standard 1.1%	R	10.3	9.7	9.9	10.2	10.5	50.6
	NR	1.3	2.4	2.5	2.5	2.6	11.4
Recovery	R	28.1	10.4	25.5	16.3	12.2	92.6
	NR	5.6	2.8	6.5	4.1	3.1	22.0
Total	**Total**	**60.3**	**30.8**	**50.0**	**38.7**	**34.0**	**213.7**

Productivity		15.0	5.5	5.6	5.5	5.6	37.1
Further cost avoidance through growth		0.0	1.9	2.4	2.2	2.2	8.6
Cost reduction/cost avoidance		45.3	23.4	42.0	31.0	26.2	167.9
Total		**60.3**	**30.8**	**50.0**	**38.7**	**34.0**	**213.7**

The savings programme for 2023/24 is embedded in the operating plan and demonstrates a significant amount of challenge for the financial year with risk of slippage.

The full year effect of the 2023/24 savings plan is a further **£33m** which rolls into the opening 2024/25 position and therefore is not reflected in the figures above.

However, should this level of change be delivered there is a marked reduction in savings requirement in future years but still high due to the impact on income convergence as explained in section 4.0. The savings plan will deliver from a combination of cost avoidance through productivity. However, the balance will need to be delivered through a focus on the cost base and opportunities will be generated through the DBV programme. Further opportunities may be available to avoid the level of growth set out in section 8.1.2 should system collaboration allow for a greater element of cost avoidance.

Overall this financial framework demonstrates an ambition position to deliver to ensure system recovery within a 3-year period and is predicated on a number of underlying assumptions. However, the framework also makes provision for growth alongside the scale of change needed so a longer-term view can be taken of how services need to change to deliver.

The link to the clinical strategy and the visibility to the DBV plan will be essential to ensure alignment can be maintained.

Having a multi-year target set out enables the trust to move to a rolling programme of savings planning. This will enable an earlier view of savings plans to be formulated as part of annual operational planning as the ambition is to set an expectation of volume of savings to be identified at set times of the planning cycle. This will be a change in approach for the Trust so will take time to adapt by the financial framework underpins the multi-year approach.

Planning Cycle	September of preceding financial year	January of preceding financial year	April - Start of new financial year
Volume of savings opportunities to be identified for coming year	50%	100%	125%
Translation of opportunities into detailed plans for coming year	25%	50%	100%

To allow for mitigation of slippage, opportunities will eb targeted above the value of the savings plan with an expectation of full detailed plans signed off by the start of the financial year. Mitigations can then start to be developed into detailed plans during the year to cover any shortfall and start to form the planning for the following year.

8.2 Cash position

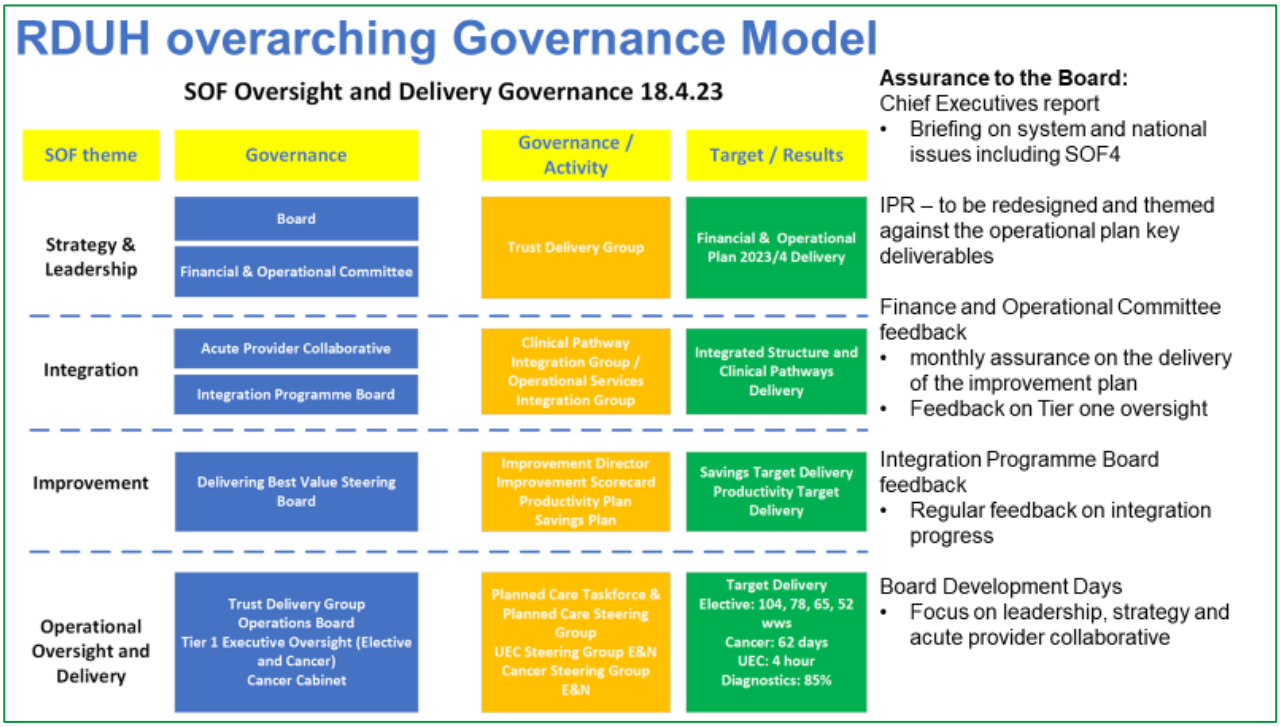
The financial recovery trajectory for the ICS sees Royal Devon returning to surplus in 2025/26 predicated on delivering a challenging level of savings. The deterioration of the financial position across 2022/23 and 2023/24 has depleted the Trust cash resources and although cash can be maintained in the short-term, a further year of deficit in 2024/25 is likely to trigger the need for working capital support through the Department of Health and Social care (DHSC) in the form of additional PDC. In subsequent years, the reestablishment of a surplus position will see this need reduce as surpluses rebuild to a sustainable cash balance.

The Trust will need to satisfy the requirements of the working capital support protocol and additional scrutiny will be placed on delivery. Having an underpinning financial strategy aligned to the Devon ICS plan will support the evidence required of sound financial management to support the cash support application.

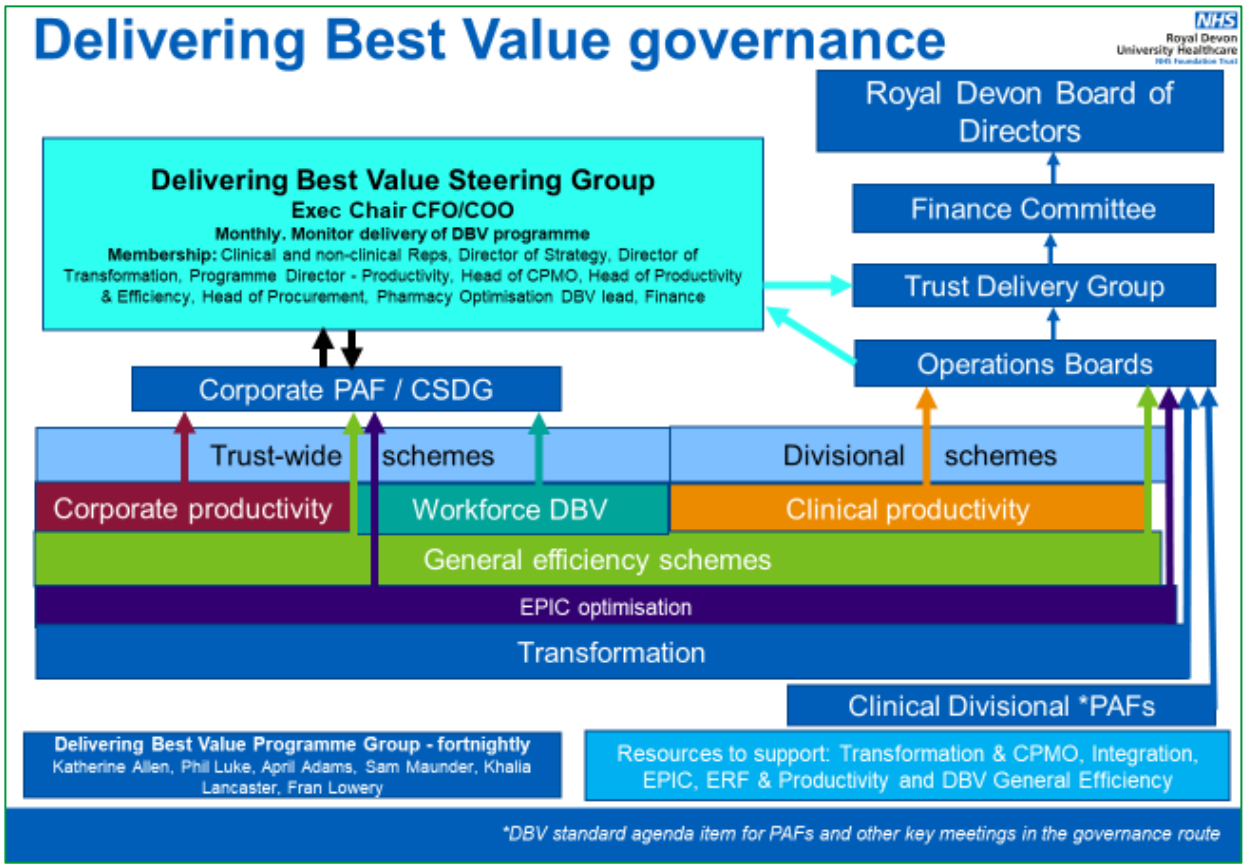
8.3 Financial Governance

The financial governance is set to allow assurance to be given to the Trust board of Directors on the delivery of the financial plan aligned to the Financial Strategy. This is discharged through the Finance and Operational committee. Within the Terms of reference, the commit has clear responsibility for monthly review on progress of the improvement plan against the SOF4 exit criteria. There is a particular focus on elective, UEC and DBV delivery.

This is underpinned through the DBV governance structure to ensure there is executive wide ownership and oversight of delivery to allow timely escalation and corrective action to be taken. The following demonstrates how the Trust Board of directors receive their overall assurance against the SOF4 exit criteria.



The following provides the more detailed governance around DBV.



8.4 Finance and Procurement Team support to strategy

The finance and procurement team are a key enabling function to support the Trust in delivery of the financial strategy and ensure the right decisions are being made for our patients. The Team prides itself on integrating with clinical and operation colleagues to ensure they know the business and can provide the best advice within the financial frame work that is set.

The team objectives are therefore aligned to that of the Trust strategy to ensure continuous focus on the core trust objectives and to ensure continued team development to support the growing needs of the organisation.

Number	Trust Strategic Objective	Team Objective
1	Collaboration and partnership	• Strengthening work across the ICS and support system recovery plan (and Trust) • Seek opportunities form system ways of working • Actively seek learning from other parts of system/ wider NHS/ internationally and bringing it into our own solutions • Partnership/collaboration and shared learning within the teams
2	A Great Place to Work	• Feel like one single team across finance and procurement and across sites • Consistency of approach, single budgets, single purchasing as the norm • HFMA level 2 accreditation (is there a similar accreditation scheme for procurement?) • Training and development • Best systems • Common JDs, PDRs – make them useful, strong enough in feedback, 360 feedback etc • Transparency and equality on opportunity
3	Recovering for the future	• Building robust DBV process and multiyear change programme • Developing the finance strategy and longer- term trajectory (LTFM) • Enhance and promote in year financial management • Continuous improvement against the HFMA grip and control checklist
4	Excellence and Innovation (in patient care)	• Resolving the ERP system issues and optimising the system • Develop PLICs and costing system • Streamline monthly process – faster close down

9 Alignment with the Clinical Strategy

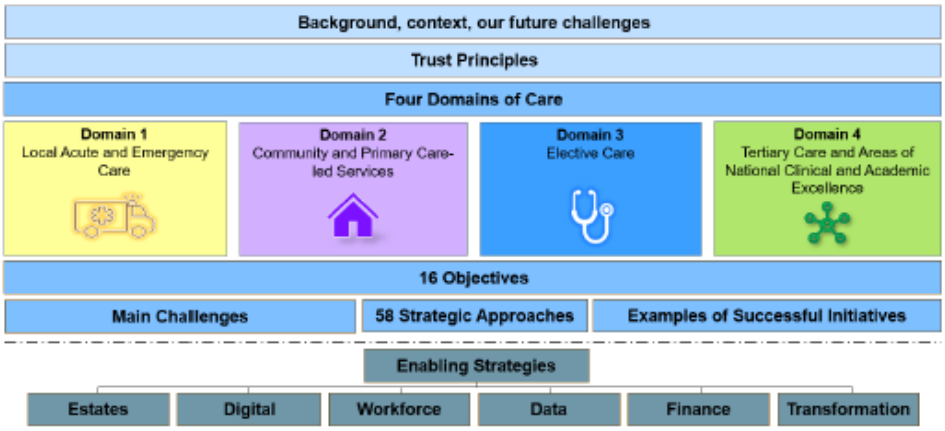
The clinical structure is the core enabling strategy to support the overarching Trust strategy, ensuring our services are meeting the needs of our population whilst delivering against our core objectives.

The finance strategy is a true enabler to delivery of the clinical ambition through designing a framework which recognises safety first but also sets an affordability framework which provides for growth where needed but within an overall affordability framework.

The finance strategy also sets the conditions by which productivity and efficiency will be delivered through exploring the delivering best value and system opportunities, ensuring a sustainable financial future which will allow for a suitable level of onward investment.

The aims of the clinical strategy align to the recovery agenda which flows through the financial framework.

Structure of the Clinical Strategy



Important aims of this clinical strategy include the following:

- Stabilising and developing acute medical services at NDDH;
- Recovering our waiting times;
- Reducing acute admissions and lengths of stay;
- Increasing the separation between elective capacity and acute care;
- Strengthening cancer services; and
- Promoting our flagship services.

10 Alignment with workforce plan

The baseline plan for 2023/34 translates into a workforce plan showing the high level wte movements against any full year effects of prior year investments, in year growth investment and reductions estimated due to the internal savings plans and Devon ICS recovery programme. The focus in this year is avoiding workforce growth but building a sustainable workforce through replacing agency staff with substantive staff. This aligns to the national expectation of zero growth through maximising productivity.

However, the savings programme will impact on different staff groups differentially and therefore there is a recognised element of clinical staff growth to support elective recovery whilst there is an expected compensating reduction in non clinical staff.

Using the financial framework and LTFM the financial assumptions convert to further wte movements across financial years. The detail will be developed as high-level assumptions are replaced by detailed plans that will set out how investment provisions will be deployed at local level and savings programmes will be delivered across multiple years.

In particular the investment allocations above allow the workforce strategy to be underpinned by funding to develop new work force models, invest in growing our own future workforce and reduce reliance on international recruitment to deliver a more cost-effective workforce pipeline. This detail will feature in the future detailed workforce plan which will be under pinned by the NHS workforce plan.

11 Conclusion

The next 3 years will be challenging and the financial framework sets out an ambitious level of financial recovery which needs to be delivered alongside an equally ambitious operational recovery programme. However, through setting out the principles in this strategy we can ensure continued alignment to the overarching Trust strategy and the enabling strategy which aiming to deliver a significant level of change.

The financial framework allows a trajectory to be set out against which longer term decisions can be made to support future planning. Whilst we continue to operate in an environment of high levels of uncertainty the framework will enable a decision to be tested and risk accessed whilst holding true to our Trust values.

In summary, given the financial and service sustainability context facing the NHS we know we have a challenge ahead over the next three years.

However, our leadership and front-line teams are committed to achieving the best for each other and our patients. The organisation has engaged with the challenge and understand that the route to clinically effective and modern healthcare services is via productivity and innovation.

We have a clear intent both as a provider and system partner to play our part in securing the success of healthcare services in Devon – and that this success means we respond effectively to people's healthcare needs harnessing our digital capabilities to provide accessible, personalised and proactive services.

Appendix 1 – SOF4 exit criteria

Theme	Criteria
Leadership	Demonstrate collaborative decision-making in delivering all the RSP exit criteria at both system and organisational levels, based on the principle of delivering the best, most sustainable and most equitable solutions for the whole population served by the system
Strategy	Delivery of Phase 1 of the Acute Services Sustainability Programme.
UEC	Make demonstrable progress towards achieving national UEC objectives, in line with agreed trajectories, sustained over two consecutive quarters and have in place an agreed system plan to sustain this improvement
	Achieve the defined expectations of the National Taskforce
Elective recovery	Make demonstrable progress towards achieving national elective and cancer objectives, in line with agreed trajectories, sustained over two consecutive quarters and have in place an agreed system plan to sustain this improvement
	System performance improvements are delivered in accordance with agreed plans (Cancer and elective long waiters)
Finance	Develop and deliver a realistic balanced plan for 2023/24 (non-recurrent)
	Develop and deliver an agreed plan that returns to recurrent balance in 2024/25 and is able to evidence delivery over two quarters, and a three-year integrated plan enabling recurrent balanced financial position
	Develop and agree a Capital Plan that is clearly aligned to System strategic priorities

Appendix 2 – Detailed I&E trajectory – model version 2.4

	FY23/24	FY24/25	FY25/26	FY26/27	FY27/28
I&E Report - Figures are in £m	**RDUH**	**RDUH**	**RDUH**	**RDUH**	**RDUH**
Total Patient Income - NHS England	183.9	185.9	187.0	188.1	189.2
Total Patient Income ICB	665.6	673.1	669.7	678.9	691.2
Total Patient Income- FT	0.0	0.0	0.0	0.0	0.0
Total Patient Income - NHS Trusts	0.5	0.5	0.5	0.5	0.5
Patient Income - Department of Health	0.0	0.0	0.0	0.0	0.0
Patient Income - NHS Other	9.0	9.4	9.5	9.9	10.3
Patient Income - Local Authority	9.2	9.2	9.2	9.2	9.2
Other Patient Income	3.9	4.0	4.0	4.0	4.1
Operating Income	113.4	117.3	121.7	126.3	131.0
Income	**985.4**	**999.2**	**1,001.5**	**1,016.8**	**1,035.4**
Substantive	(593.5)	(590.2)	(590.5)	(600.5)	(612.4)
Bank	(21.5)	(25.9)	(24.5)	(23.8)	(23.1)
Agency	(15.1)	(14.9)	(14.4)	(14.2)	(14.0)
Other	(1.4)	(1.5)	(1.5)	(1.5)	(1.6)
Pay	**(631.5)**	**(632.5)**	**(630.9)**	**(639.9)**	**(651.0)**
Purchase of Healthcare	(36.0)	(36.0)	(36.0)	(36.0)	(36.0)
Running cost	0.0	0.0	0.0	0.0	0.0
Social Care	0.0	0.0	0.0	0.0	0.0
Continuing Care	0.0	0.0	0.0	0.0	0.0
Clinical Supplies	(90.2)	(95.6)	(100.6)	(106.0)	(111.7)
Drugs	(95.0)	(89.6)	(88.9)	(88.4)	(88.1)
Cost of Capital	(42.0)	(46.7)	(47.2)	(47.7)	(48.1)
CNST	(26.5)	(29.2)	(32.1)	(35.3)	(38.8)
Utilities	(21.2)	(21.4)	(21.6)	(21.8)	(22.0)
Other Non-Pay	(57.6)	(36.8)	(26.0)	(19.0)	(12.3)
Non-Pay	**(368.4)**	**(355.2)**	**(352.3)**	**(354.2)**	**(357.1)**
Operating Expenditure	**(999.9)**	**(987.8)**	**(983.2)**	**(994.1)**	**(1,008.0)**
Net Finance Costs	(13.5)	(13.5)	(13.5)	(13.5)	(13.5)
Other gains/(losses)	0.0	0.0	0.0	0.0	0.0
Adjustments	0.0	0.0	0.0	0.0	0.0
Less gains on disposal of assets	0.0	0.0	0.0	0.0	0.0
NHP	0.0	0.0	0.0	0.0	0.0
Financial Plan	**(28.0)**	**(2.0)**	**4.8**	**9.2**	**13.8**
Less Non Recurrent Activity	(75.3)	(68.7)	(60.5)	(59.1)	(59.0)
FYE - Cost of Capital	0.0	0.0	0.0	0.0	0.0
FYE - CIP	32.6	0.0	0.0	0.0	0.0
Underlying financial performance surplus/(deficit) planni	**(70.7)**	**(70.8)**	**(55.7)**	**(49.9)**	**(45.2)**
Total BAU CIP	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total Stretch CIP	**(70.7)**	**(70.8)**	**(55.7)**	**(49.9)**	**(45.2)**